



25 July 2012

Firestone Signs Key Investment Agreement

On 7 May 2012 the Board of **Firestone Energy Limited** (ASX/JSE: **FSE**) (the “**Company**” or “**Firestone**”) announced that it had entered into a conditional termsheet for the provision of A\$30.7million of funding by Ariona Company SA (**Ariona**). Firestone is now pleased to announce that the Company has executed an Investment Agreement with Ariona to provide funding to the Company for the increased amount of A\$40.7million.

Ariona is a special purpose vehicle representing a consortium of international institutional and private investors focusing on global resource opportunities.

Funding Facility

Through the execution of this agreement, Ariona will provide A\$40.7million to the Company under a secured convertible note facility replacing the current convertible notes. As previously announced on 7 May 2012, Ariona will provide this funding to Firestone with an initial A\$30.7million by way of a replacement of the current convertible note facility. An additional \$10million convertible note facility will also be made available to the Company on the same terms as the initial facility.

With this increased facility, and based on current Budgeted expenditure, Firestone is fully funded up to and including the completion of the Bankable Feasibility Study (BFS). Post the finalisation of the BFS, project funding will be required to undertake development and operation of the Waterberg Coal Project and Ariona have undertaken to procure funding of up to US\$400m for this purpose.

It is confirmed that the terms of the convertible notes will be:

Term	4 years
Coupon	8.0% pa
Interest Payments	Payable half yearly. For the first 24 months interest is to be paid in cash or capitalised at the election of FSE and after the first 24 months interest to be paid in cash or capitalised as agreed by the Company and Ariona.
Conversion Price	A\$0.025 per share
Conversion Terms	Convert into ordinary shares at the election of the noteholder.

About Firestone Energy

Firestone Energy Limited is an independent, Australian exploration and development company listed on the Australian Stock Exchange Ltd (ASX) and the Johannesburg Stock Exchange (JSE). Firestone Energy has entered into a Joint Venture with Sekoko Resources (Pty) Ltd through which Firestone Energy has acquired the right to 60% participation interests in the Waterberg Coal Project located in Lephalale area, Limpopo Province, South Africa.

The first stage of the project is to develop the Smitspan mine which has a substantial measured thermal coal resource and to develop the Velleegte mine which is a substantial metallurgical coal deposit.

Firestone Energy is committed to becoming a profitable independent coal and energy producer at its projects in South Africa, thereby making a substantial contribution to the social and economic development of the Lephalale area and South Africa.

Corporate Details

ASX: FSE
JSE: FSE

Issued Capital:
3,114 million ordinary shares

Major Shareholders:
Sekoko Resources (Pty) Ltd
Linc Energy Ltd
BBY Nominees Pty Ltd
Bell Potter Nominees Ltd

Directors and Officers

Non Executive Directors:
Mr Tim Tebeila (Chairman)
David Perkins (Deputy Chairman)
Dr Pius Kasolo
Ben Mphahlele
Kobus Terblanche

Officers:
Mr David Knox CEO
Mr Jerry Monzu Company Secretary

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The Funds raised will be applied in approximately the manner set out below.

	A\$ Million
Redeem existing convertible notes (ECNs) at face value	21.30m
Pay outstanding interest on the ECNs	0.85m
Working Capital	16.65m
Expenses of the transaction (estimate)	1.90m
Total	A\$40.70m

The new convertible note facility is subject to certain conditions precedent, the most significant of which are:

- 1) completion of technical, legal and financial due diligence, satisfactory to Ariona;
- 2) Obtaining all necessary regulatory approvals in Australia and South Africa; and
- 3) Obtaining Firestone shareholder approval to the issue and for the conversion of the new convertible notes to be issued to Ariona.

Other significant terms are:

- Ariona will now be entitled to nominate up to three directors to the Board of the Company;
- The Company will, subject to necessary shareholder approval, offer those existing convertible note holders who agree to the early redemption of their notes, incentive options exercisable over 2 years at a price of A\$0.025 per share. The number of incentive options to be issued to an accepting ECN Holder shall be pro rata to its holding of ECNs on the basis that 300 million incentive options would be issued in the case of 100% acceptance of early redemption of ECNs; and
- Until completion of the transaction, the interest payments on the ECNs will be calculated on a monthly basis and at the election of the ECN holders, either converted into shares on a monthly basis at a 10% discount to the 5 day VWAP or capitalising the interest until completion of the transaction.

As a result of this transaction and a separate transaction between Ariona and Sekoko Resources Pty Ltd (as announced to the market on 29 June 2012), Ariona will become Firestone's largest shareholder initially holding 25.69% in Firestone Shares (and up to approximately 50.00% on a fully diluted basis) and Sekoko Resources will now maintain an interest of 8.1% in the Company. The ownership of the Waterberg Joint Ventures will be:

FSE	60%
Sekoko	40%*

*Includes an indirect 10% interest in the Joint venture for Ariona

Shareholder Approval

There are several aspects of the transactions which will require shareholder approval including, Ariona acquiring more than 20% of Firestone, as an exception to Ariona making a formal takeover offer for Firestone. As advised the Company will convene a general meeting of shareholders in Q3 to approve the transactions. The Company will commission a report from an independent expert to assess whether the transactions are fair and reasonable for those shareholders of the Company not participating in the transactions. The independent experts report will accompany the notice of meeting and information memorandum to be sent to shareholders.

David Knox, the CEO of Firestone commented that "This transaction marks a significant event in the development of both the Company and the Waterberg Project."

Firestone's corporate finance adviser is BBY Limited and Kelly & Co are its corporate lawyers.

Yours sincerely,



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About Sekoko Resources

Sekoko Resources (Pty) Ltd is a South African-based black-owned energy and minerals company developing the coal, magnetite iron ore and PGMs Projects in the Limpopo Province of South Africa. This includes a significant exploration program and development of the Waterberg Coal Joint Venture Project based on significant Coal Zone Resources.